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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Financial Statements
and Independent Accountant's Report
As of and for the Year Ended
December 31, 2004
With Independent Accountant's Report on Applying
Agreed-Upon Procedures
For the Year Ended December 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-27-05

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Financial Statements
and Independent Accountant's Report
As of and for the Year Ended
December 31, 2004
With Independent Accountant's
Agreed-Upon Procedures Report
For the Year Ended December 31, 2004**

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RICHARD B. GARRETT
Certified Public Accountant
1537 Frenchman's Bend Road
Monroe, LA 71203

Independent Accountant's Report

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

I have reviewed the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, as of and for the year ended December 31, 2004, which collectively comprise the Water District's Basic Financial Statements as listed in the table of contents. These financial statements are the responsibility of the management of Consolidated Water District No. 2 of Morehouse Parish.

My review was conducted in accordance with *Statements of Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America. A review consists principally of inquiries of the Water District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.


Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report, dated March 18, 2005, on the results of my agreed-upon procedures.

The Management's Discussion and Analysis and the Schedule of Per Diem Paid Board Members on pages 4 through 9 and on page 21, respectively, are not a required part of the Basic Financial Statements but are supplementary information required by the Governmental Accounting Standards Board and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the Basic Financial

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Statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

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Richard B. Garrett

Monroe, Louisiana
March 18, 2005

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2004**

Management's Discussion and Analysis of the Consolidated Water District No. 2 of Morehouse Parish's financial performance provides an overall review of the Water District's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the Water District's financial performance as a whole. The reader should read this discussion in conjunction with the Notes to the Basic Financial Statements, and the financial statements, which are all included in this report, to enhance their understanding of Consolidated Water District No. 2 of Morehouse Parish's financial performance.

Financial Highlights

- Net assets increased by \$40,027
- Increased tie-in fees from \$300 to \$360
- There was no increase in water fees to customers

Using This Annual Financial Report (AFR)

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consolidated Water District No. 2 of Morehouse Parish as a whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances. Also included in the financial statements is the Comparative Statement of Cash Flows Fund Financial Statement, which reports cash flows of the Proprietary Fund – Enterprise Fund of the Water District.

Reporting the Water District as a Whole

**Comparative Statement of Net Assets and the Comparative
Statement of Revenues, Expenses, and Changes in Net Assets**

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets report information about the Water District as a whole and its activities in a way to try to inform the reader as to how the Water District

did financially during 2004. In short, is the Water District better off financially or is it worse off financially than it was this time last year? These statements report all assets and liabilities of the Water District on the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Water District's net assets and the change in those assets. This change in net assets is important because it tells the reader that, for the Water District as a whole, the financial position of the Water District improved or declined. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors affecting the Water District include increases or decreases in the number of persons served by the Water District as the result of persons moving into or out of the water district and road construction projects requiring replacement or moving of water lines.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets report the business-type activities of the Water District. Most of the Water District's operations and services are reported here including salaries and employee benefits, operating services, office expenses, and maintenance and repairs.

The Water District as a Whole

The Water District's net assets increased by \$40,027 from \$770,478 at December 31, 2003 to \$810,505 at December 31, 2004. Of the \$810,505 of net assets at December 31, 2004, \$531,478 were unrestricted. The following analysis focuses on the net assets (Table 1) and change in net assets (Table 2) of the Water District's business-type activities.

Table 1
Business-Type Activities
Net Assets
December 31, 2004 and December 31, 2003

	Year Ended	
	December 31,	
	2004	2003
Assets		
Current and other assets	\$538,109	\$474,943
Restricted assets	38,759	37,769
Capital assets, net	279,027	302,936
Total assets	855,895	815,648
Liabilities		
Current and other liabilities	6,631	7,401
Long-term liabilities – customer deposits	38,759	37,769
Total liabilities	45,390	45,170
Net assets		
Invested in capital assets, net of debt	279,027	302,936
Unrestricted	531,478	467,542
Total net assets	\$810,505	\$770,478

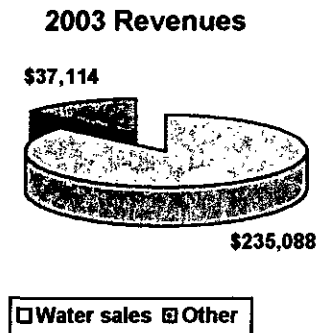
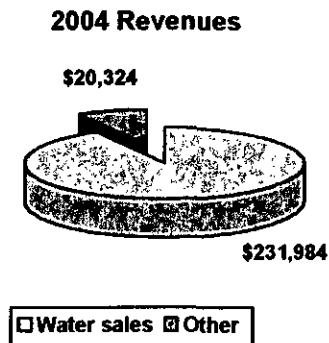
The balance of \$531,478 in the unrestricted assets represents the accumulated results of all past years' operations. It means that if the Water District had to pay off all of its bills today, it would have enough funds to pay them off.

The results of this year's operations for the Water District as a whole are reported in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets on page 11. Table 2 recaps the information from the Comparative Statement of Revenues, Expenses, and Changes in Net Assets.

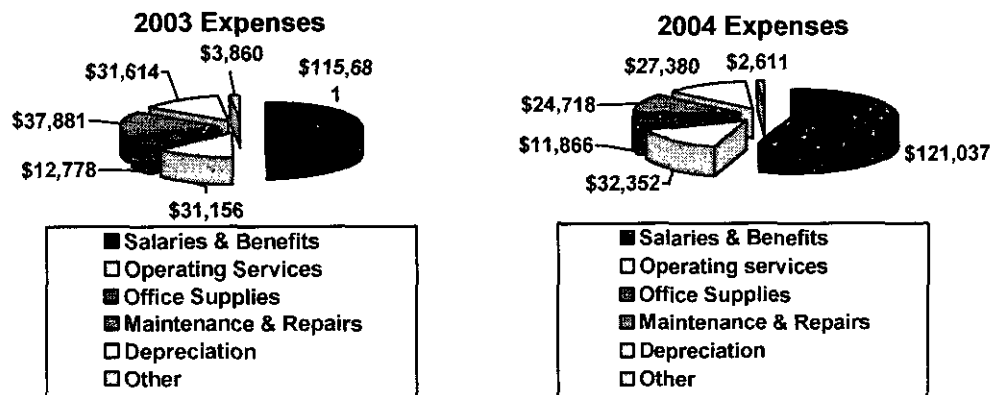
Table 2
Business-Type Activities
Changes in Net Assets
Fiscal Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Water sales	\$231,984	\$235,088
Other	<u>20,324</u>	<u>37,114</u>
Total operating revenues	<u>252,308</u>	<u>272,202</u>
Operating expenses:		
Salaries and employee benefits	121,037	115,681
Operating services	32,352	31,156
Office supplies	11,866	12,778
Maintenance, repairs, and materials	24,718	37,811
Depreciation	27,380	31,614
Other	<u>2,611</u>	<u>3,860</u>
Total operating expenses	<u>219,964</u>	<u>232,900</u>
Operating income	32,344	39,302
Nonoperating Revenues:		
Use of money and property	<u>7,683</u>	<u>5,272</u>
Increase in Net Assets	<u>\$40,027</u>	<u>\$44,574</u>

Consolidated Water District No. 2 of Morehouse Parish's 2004 and 2003 revenues are presented below:



Consolidated Water District No. 2 of Morehouse Parish's 2004 and 2003 expenses are presented below:



Business-Type Activities

As reported in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets on page 11, the cost of operating the Water District this year was \$219,964. The operations of the district in 2004 were funded mainly by water sales of \$231,984. This compares to an operating cost of \$232,900 and water sales of \$235,088 in 2003. The decrease in water sales of \$3,104 or 1.3 per cent was the result of decreased water usage by customers for watering their lawns because of the rainy 2004 summer. At December 31, 2004, the Water District was serving 1119 customers as compared to 1065 at December 31, 2003. The increase in customers is the result of a new subdivision in the district.

The operating expenses of the Water District in 2004 decreased by \$12,936 or 5.6 percent from \$232,900 to \$219,964. The decrease in the operating expenses was mainly the result of a decrease in maintenance expenses of \$13,093 and a decrease in depreciation expense of \$4,234. Maintenance expenses decreased because the Water District had to bore under a road in 2003 costing the Water District approximately \$14,000. In 2004 the District did not have to bore under a road. Depreciation expense decreased because a large piece of equipment (tractor) was fully depreciated in 2003. These decreases in expenses were partially offset by an increase in salaries and related benefits of \$5,356. The increase in salaries and employee benefits was the result of a pay raise given to employees in October 2003 and having 2 bookkeepers for two months.

Capital Assets

Capital assets of the Water District used in performance of general operations are recorded in the financial statements as assets at their original cost at the time of purchase. Depreciation of capital assets has been recognized in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets.

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At December 31, 2004, as reported on the Statement of Net Assets, the Water District had \$279,027 invested in property, plant and equipment, net of depreciation. Capital assets increased by a net of \$422 during 2004. The net increase in capital assets was due to the Water District purchasing a computer for \$3,471 and deleting a computer and printer valued at \$3,049 from the inventory. For more detail of capital assets, see Note 3 of the Notes to the Basic Financial Statements. Table 4 presents capital assets, net of depreciation, at December 31, 2004.

Table 4
Capital Assets at Year-end
Net of Depreciation
Business-Type Activities

	<u>2004</u>	<u>2003</u>
Land	\$1,000	\$1,000
Water system	235,806	258,119
Equipment	<u>42,221</u>	<u>43,816</u>
Total	<u>\$279,027</u>	<u>\$302,936</u>

For the Future

Management of the Water District feels good about the future of the district. The Water District reported another increase in net assets for 2004 of \$40,027. Management of the Water District feels that the unrestricted net assets balance at December 31, 2004, of \$531,478 should protect them in the event a major unforeseen repair to the water lines or water tank is required. The Water District is not aware of any major repairs that must be made in the near future to the water system nor is management planning any expansions of the Water District in the near future. Present water rates appear to be adequate to support the operations of the Water District.

In 2005 or 2006 the State of Louisiana plans to perform major repairs to Highway 425, which runs through the Water District. As a result of the road work, the District will have to move several of its water lines at a substantial cost to the Water District. Management of the Water District is applying for grants to help defray the cost of moving the water lines.

Contacting the Water District's Financial Management

This financial report is designed to provide our customers and the Morehouse Parish Police Jury with a general overview of the Water District's finances and to show the Water District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rhonda Little, Secretary-Treasurer, 7125 Pine Grove Loop, Bastrop, LA 71220-6830 or call at (318) 281-2989 or E-mail to consolwww2@yahoo.com.

Statement A

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Comparative Statement of Net Assets
Business-Type Activities
December 31, 2004 and 2003**

	Total	
	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	\$502,772	\$442,212
Accounts receivable - water sales	17,762	16,268
Inventory (note 1-H)	17,575	16,463
Total current assets	538,109	474,943
Restricted assets - cash and cash equivalents (note 2)	38,759	37,769
Capital assets, net of depreciation:		
Property, plant, and equipment (note 3)	279,027	302,936
Total assets	855,895	815,648
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	5,333	5,174
Taxes payable	74	78
Salary deductions payable	1,224	2,149
Long-term liabilities (payable from restricted assets) - customer deposits	38,759	37,769
Total liabilities	45,390	45,170
NET ASSETS		
Invested in capital assets	279,027	302,936
Unrestricted	531,478	467,542
Total net assets	\$810,505	\$770,478

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Statement B

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Comparative Statement of Revenues,
Expenses, and Changes in Net Assets
Business-Type Activities
For the Years Ended December 31, 2004 and 2003**

	Total	
	2004	2003
OPERATING REVENUES		
Water sales	\$231,984	\$235,088
Safe drinking water fee	4,825	3,554
Installation and connection fees	14,093	26,934
Other	1,406	6,626
Total operating revenues	<u>252,308</u>	<u>272,202</u>
OPERATING EXPENSES		
Salaries	92,869	86,450
Per diem (Schedule 1)	4,500	3,840
Employee benefits	23,668	25,391
Operating services	32,352	31,156
Office expenses	11,866	12,778
Maintenance, repairs, and materials	24,718	37,811
Depreciation	27,380	31,614
Professional services	1,400	1,400
Other	1,211	2,460
Total operating expenses	<u>219,964</u>	<u>232,900</u>
OPERATING INCOME	<u>32,344</u>	<u>39,302</u>
NONOPERATING REVENUES		
Gain on disposal of assets	0	0
Use of money and property - interest income	7,683	5,272
Total nonoperating revenues	<u>7,683</u>	<u>5,272</u>
CHANGE IN NET ASSETS	40,027	44,574
NET ASSETS AT BEGINNING OF YEAR	<u>770,478</u>	<u>725,904</u>
NET ASSETS AT END OF YEAR	<u><u>\$810,505</u></u>	<u><u>\$770,478</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

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Statement C

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
PROPRIETARY FUND - ENTERPRISE FUND**

**Comparative Statement of Cash Flows
For the Years Ended December 31, 2004 and 2003**

	Total	
	2004	2003
Cash flows from operating activities:		
Cash received from customers	\$250,815	\$271,641
Cash received from operating grant	0	0
Cash payments to suppliers and employees	(194,992)	(200,157)
Meter deposits from members (net)	1,483	2,555
State sales tax (net)	42	30
Net cash provided (used) by operating activities	<u>57,348</u>	<u>74,069</u>
Cash flows from capital and related financing activities:		
Purchase of fixed assets	(3,481)	(1,234)
Cash flows from investing activities - interest		
income from time deposits	<u>7,683</u>	<u>5,272</u>
Net increase in cash and cash equivalents	61,550	78,107
Cash and cash equivalents at beginning of year	<u>479,981</u>	<u>401,874</u>
Cash and cash equivalents at end of year	<u><u>\$541,531</u></u>	<u><u>\$479,981</u></u>
Reconciliation of operating income to net cash		
provided (used) by operating activities:		
Operating income (loss)	<u>\$32,344</u>	<u>\$39,302</u>
Adjustments to reconcile operating income to net		
cash provided (used) by operating activities:		
Operating grant	0	0
Depreciation	27,380	31,614
Changes in assets and liabilities:		
Increase/decrease in:		
Accounts receivable	(1,493)	(561)
Inventory	(1,103)	546
Accounts payable - operating	(770)	650
Customer deposits	990	2,518
Total adjustments	<u>25,004</u>	<u>34,767</u>
Net cash provided (used) by operating activities	<u><u>\$57,348</u></u>	<u><u>\$74,069</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

Notes to the Basic Financial Statements
As of and for the Year Ended
December 31, 2004

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811. The Water District is governed by a five member board of commissioners who are residents of, and own real estate in, the district. The board is appointed by the police jury and is responsible for providing water service to users within the boundaries of the district. The water district serves approximately 1,119 customers and consists of approximately 124 miles of water system in rural Morehouse Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Morehouse Parish Police Jury is the financial reporting entity for Morehouse Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Morehouse Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the members of the governing board, because of the scope of public service, and because the district is located within the geographical jurisdiction of the police jury, the district was determined to be a component unit of the Morehouse Parish Police Jury, the financial reporting entity. The accompanying Basic Financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

Consolidated Water District No. 2 of Morehouse Parish is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the cash basis of accounting. However, the Enterprise Fund reported in the accompanying financial statements has been converted to an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Operating:

Water sales and safe drinking water fees are recorded when earned by the water district. Water bills are due and payable to the water district by the tenth day of the month following receipt of the service.

Connection and installation fees are recorded when the services are performed and due to the water district.

Nonoperating:

Interest earnings on time deposits and demand deposits are recorded at the end of each month when credited by the bank.

Expenses

All expenses are recognized when incurred.

E. BUDGETS

Generally accepted accounting principles as applied to governmental units do not require the preparation of a budget for Proprietary - Enterprise Funds. Additionally, Louisiana law has not required that districts of this nature prepare and adopt annual budgets for operations. Therefore, a budget comparison is not presented in the accompanying Basic Financial statements.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

F. ENCUMBRANCES

The district does not use encumbrance accounting in its accounting system.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash and interest bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

H. INVENTORY

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

I. RESTRICTED ASSETS

Meter deposits in the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by liability to customers.

J. CAPITAL ASSETS

Capital assets, and accumulated depreciation thereon, of the water district are included on the balance sheet of the Enterprise Fund. The Water District considers assets with an initial individual cost of more than \$500 and an estimated useful life of 5 years or more as a capital asset. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the property as follows:

Water systems, tanks, and wells	40 years
Equipment and buildings	5-20 years

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

K. COMPENSATED ABSENCES

The district has two salaried employees and two hourly employees. All employees are granted up to 2 weeks annual leave depending on length of service. The leave is non-cumulative. Upon termination, employees are not paid for unused vacation leave. Salaried employees are granted sick leave on an as needed basis.

At December 31, 2004, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure to conform with GASB Codification Section C60.

L. RISK MANAGEMENT

The Water District carries insurance policies for liability, workman's compensation, and auto and property with \$500 deductibles. The Water District also carries an errors and omissions policy on its board members with a \$1,000 deductible.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 2004, the water district has cash and cash equivalents (book balances) totaling \$541,531 as follows:

Interest-bearing demand deposits	\$314,631
Time deposits	226,700
Petty Cash	<u>200</u>
Total	<u>\$541,531</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the water district has \$542,232 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$342,232 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the water district that the fiscal agent has failed to pay deposited funds upon demand.

3. CAPITAL ASSETS

A summary of capital assets at December 31, 2004, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Capital assets, not being depreciated:			
Land	\$1,000		\$1,000
Capital assets, being depreciated:			
Buildings and equipment	127,897	(\$85,676)	42,221
Water systems, tanks and wells	<u>645,442</u>	<u>(409,636)</u>	<u>235,806</u>
Total	<u>\$774,339</u>	<u>(\$495,312)</u>	<u>\$279,027</u>

4. PENSION PLAN

The employees of Consolidated Water District No. 2 of Morehouse Parish are members of the Social Security System. In addition to the employee contribution withheld at 6.2 per cent of gross salary, the water district contributes an equal amount to the Social Security System. Aggregate pension cost for the year was \$11,515. The water district does not guarantee the benefits granted by the Social Security System.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Concluded)**

5. OTHER POSTEMPLOYMENT BENEFITS

The water district provides no postretirement health care and life insurance benefits to former employees.

6. LITIGATION AND CLAIMS

At December 31, 2004, the water district is not involved in any litigation nor is management aware of any claims.

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**LOUISIANA REQUIRED
SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 2004**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, board members receive \$60 per meeting attended up to a maximum of 36 meetings per year.

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Schedule of Per Diem Paid Board Members
For the Year Ended December 31, 2004**

	<u>NUMBER</u>	<u>AMOUNT</u>
Derrell Bray	15	\$900
Douglas Goyne	15	900
Bud Morrison	14	840
Eddie Potter	15	900
Wyatt Smith, President	<u>16</u>	<u>960</u>
Total	<u>75</u>	<u>\$4,500</u>

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures
For the Year Ended December 31, 2004**

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RICHARD B. GARRETT
Certified Public Accountant
1537 Frenchman's Bend Road
Monroe, Louisiana 71203

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the Board of Commissioners of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Consolidated Water District No. 2 of Morehouse Parish's compliance with certain laws and regulations for the year ended December 31, 2004, included in the *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Review the board minutes and all expenditures made during the year ended December 31, 2004, for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

During the year, the Water District did not start any public works projects or purchase any material and supplies that fell under the guidelines of the public bid law.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
Agreed-Upon Procedures Report
March 18, 2005
Page 2

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each commissioner as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of the commissioners and the employees, as well as their immediate families.

Management provided me with the requested list which included all of the noted information.

3. Obtain from management payroll data for all employees paid for the year ended December 31, 2004.

Management provided me the requested payroll data.

4. Determine whether any of the employees paid during the year, per the payroll data in agreed-upon procedure no. 3, were included on the list from management of immediate family members, per agreed-upon procedure no. 2.

None of the employees included in the payroll data (agreed-upon procedure no. 3) were included on the list from management of immediate family members (agreed-upon procedure no. 2).

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

March 18, 2005

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Accounting and Reporting

5. Randomly select 6 disbursements made during the year ended December 31, 2004, in the Operations and Maintenance Fund and one purchase made during the year ended December 31, 2004, in the Revenue Fund and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined the supporting documentation for each of the six disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct general ledger account; and

I examined the documentation of each expenditure to determined that the expenditure had been charged to the proper account code. All expenditures were charged to the proper general ledger account code.

- (c) determine whether payments received approval from proper authorities.

Five of the six expenditures examined were for supplies and maintenance. Expenditures of this type, which are supported by an invoice, are approved by a commissioner initialing the invoice indicating approval for payment. Three of the five expenditures examined had been approved by a commissioner. Two of the six expenditures examined had not been approved by a commissioner. One of the six expenditures examined was for the remittance of payroll taxes. Expenditures of this type do not require approval by a commissioner.

I discussed with the Board President the two expenditures that had not been approved for payment. He stated that they normally examine all vouchers each month to see that they have been initialed, indicating approval for payment. The two that were not signed were during a transition period between Secretaries/bookkeepers. I expanded my sample and examined six more

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

March 18, 2005

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expenditures to see if they had been approved for payment. All six expenditures examined had been approved by a commissioner for payment.

6. Select one month's payroll and examine the gross wages paid all employees each week of the month to see that:

- (a) the salary/hourly rate agrees to the amount authorized by the Commissioners.

I examined all four employees' weekly gross wages for one month to see that the salary or hourly rate paid, as applicable, was the amount authorized by the Commissioners. The salary and hourly rate paid each employee was the amount authorized by the Commissioners.

- (b) the number of hours paid agrees to the time cards.

I compared the number of hours worked, per the weekly time cards, for the two hourly employees for one month to the number of hours the employees were paid each week. The number of hours worked, per the time cards, agreed to the number of hours for which the employees were paid.

Meetings

7. Examine evidence indicating that agendas for meetings in which minutes were recorded were posted as required by LSA-RS 42:1 - 12 (the open meetings law).

Consolidated Water District No. 2 is required to post a notice of each meeting and *the accompanying agenda on the front gate of the district's office*. Although management has asserted that such documents were properly posted and management provided me copies of the documents, I cannot determine if the documents were actually posted because there is no evidence to support this. The Water District did post a notice in the newspaper in January 2004, stating that the district's board meets the second Tuesday of each month at 5:00 PM in the district office.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

March 18, 2005

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The Water District provided me with notices with agendas of the monthly and special meetings held during the year. I compared the notices to the Board of Commissioners' minutes of their meetings to see that there was a notice for each meeting held during the year. There was a notice to the public for 15 of the 16 monthly and special meetings held during the year. The notice for the meeting of March 24, 2004, was not on file. The meeting of March 24, 2004, was a special meeting held at the Morehouse Parish Police Jury office.

Management of the district stated that apparently, the notice had been misplaced. Management further stated that to the best of their knowledge, the notice had been posted as required.

Debt

8. Read the minutes of all board meeting for the year ended December 31, 2004, and examine bank deposits for the period under examination to determine if any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

A reading of the minutes of the Water District for the year ended December 31, 2004, and an examination of the bank deposits for the period under examination, did not identify any deposits or authorizations for bank loans, bonds, or like indebtedness.

Advances and Bonuses

9. Examine all disbursements in the cash disbursement journal for the year ended December 31, 2004, and read the minutes for the year to determine whether any payments have been made to employees that may constitute a bonus, advance, or gift.

A reading of the minutes of the Water District for the year ended December 31, 2004, did not indicate any approval for such payments. Examination of the expenditures in the cash disbursements' journal did not disclose any instances of payments to employees which would constitute a bonus, advance or gift.

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RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
Agreed-Upon Procedures Report
March 18, 2005
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I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Richard B. Garrett

Monroe, Louisiana
March 18, 2005

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings
For the Year Ended December 31, 2004**

CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS

In accordance with the *Louisiana Governmental Audit Guide* a schedule of corrective action taken on prior year findings has been included.

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings
For the Year Ended December 31, 2004**

In the attestation report for the year ended December 31, 2003, there were no findings reported.

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**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

Louisiana Attestation Questionnaire
For the Year Ended December 31, 2004

CONSOLIDATED WATER DISTRICT NO. 2

OF MOREHOUSE PARISH, LOUISIANA

**7125 Pine Grove Loop
BASTROP, LOUISIANA**

March 8, 2005

Richard B. Garrett, CPA
1537 Frenchman's Bend Road
Monroe, Louisiana 71203

Dear Mr. Garrett

In connection with your agreed-upon procedures engagement for the year ended December 31, 2004, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we made the following representation to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 31, 2004.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212.

Yes (x) No ()

Code of Ethics for Public Officials and Public Employees

It is true that no employees or commissioners has accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes (x) No ()

It is true that no member of the immediate family of any member of the board of commissioners of the water district has been employed by the water district after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes (x) No ()

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:43).

Yes (x) No ()

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes (☒) No (☐)

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:464, and/or 39:92, as applicable.

Yes (☒) No (☐)

We have had our financial statements compiled in accordance with LSA-RS 24:513.

Yes (☒) No (☐)

Meetings

We have complied with the provisions of the Open Meetings Law, provided in LSA-RS 42:1 through 42:12.

Yes (☒) No (☐)

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less, to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes (☒) No (☐)

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes (☒) No (☐)

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance, which may occur subsequent to the issuance of your report.

Wyatt Smith
(President)

3-8-05
(Date)

Rebecca Little
(Secretary)

3-8-05
(Date)

FILENAME: ATTESTATION/ATTESTATION